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Chair: Mr. Berger ..... (Germany)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kelapile

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The meeting was called to order at 10.10 a.m.

Agenda item 129: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Proposed programme budget outline for the biennium 2014-2015 (A/67/529 and Corr.1 and A/67/625)

1. **Ms. Casar** (Controller), introducing the Secretary-General's report on the proposed programme budget outline for the biennium 2014-2015 (A/67/529 and Corr.1), said that the outline had been prepared in accordance with the process set out in General Assembly resolutions 41/213 and 63/266 and, after consideration and decision by the Assembly, would guide the Secretary-General in preparing the proposed programme budget for 2014-2015. The outline was not a preliminary programme budget; rather, it was a preliminary estimate of resources at a high level of aggregation. The programme budget itself, to be presented in 2014, would reflect more detailed information on the proposed requirements.

2. A preliminary estimate of resources had been established by taking the initial appropriation for 2012-2013 of $5,152 million and adjusting it by several factors: full provision for the continuation of the new posts approved for the current biennium; removal of one-time costs in 2012-2013; provision for resource changes in the biennium 2014-2015; deferred post-related recosting for inflation and exchange rates; and additional requirements for special political missions.

3. The full biennial provision in 2014-2015 for those posts that had been newly established in the biennium 2012-2013 would require an additional $15.7 million. One-time costs in 2012-2013 amounting to $19.3 million had been removed, as detailed in paragraphs 8 and 9 of the report, as they would no longer be required in 2014-2015.

4. The proposed provisions for resource changes in the biennium 2014-2015 included $4.6 million for mandated conferences whose modalities were known and a decrease of $63.1 million related to efforts being undertaken by the Organization to increase efficiency in the delivery of services. The net decrease of $58.5 million was provided as a planning figure at the current stage.

5. The General Assembly had decided, in its resolution 66/246, to defer consideration of post-related recosting for inflation and exchange rate projections to the first performance report on the budget for the biennium 2012-2013 in order to ensure that the appropriation of post-related costs was in line with actual expenditure. The deferred amount had been included in the preliminary estimate for planning purposes, based on established practice. Further adjustments owing to variations in the rates of inflation and exchange, standard costs, vacancy rates assumed at the time of the initial appropriation and unforeseen and extraordinary items were provided in the first performance report on the programme budget for the biennium 2012-2013 (A/67/592) and reflected in the annex to the report of the Advisory Committee on Administrative and Budgetary Questions on the budget outline (A/67/625).

6. Preliminary indicative requirements for special political missions reflected an increase of $30.2 million, compared with the initially approved appropriations for 2012-2013, owing to the continuation of new missions established in 2012. The approval of special political missions at any time of the year and their changing mandates made it difficult to accurately predict resource requirements; accordingly, the preliminary estimates were subject to change. For example, given the relatively high degree of uncertainty with respect to the mandate of the mission in the Syrian Arab Republic in 2014-2015, no estimates had been included for the Office of the Joint Special Representative of the United Nations and the League of Arab States for Syria, but that assumption might change in the course of 2013.

7. Information on initiatives currently before the General Assembly and foreseeable items yet to be considered that might affect the budget outline were reflected in paragraph 26 and detailed in annex II. An updated annex reflecting the latest information as at 6 December 2012 had been provided to the Advisory Committee during its consideration of the matter; any subsequent changes would be conveyed to the Fifth Committee during the informal consultations. Those items, if adopted by the Assembly, would have a bearing on the level of the proposed programme budget for the biennium 2014-2015.

8. With respect to the contingency fund, it was recommended that the level should be maintained at

0.75 per cent of the overall budget level, or $40.1 million for the biennium 2014-2015.

9. **Mr. Kelapile** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/67/625), said that, in paragraphs 2 to 4 of the report, the Advisory Committee discussed the methodology used to arrive at the preliminary estimate of resources for the biennium 2014-2015, which amounted to $5.34 billion. The Advisory Committee noted that, according to the Secretary-General, growth in real terms reflected a decrease of $62.1 million, or 1.5 per cent, as compared with the approved regular budget appropriation for the current biennium. However, once the estimated biennial provision for special political missions of $1.11 billion was taken into account, as well as the deferred post-related recosting amount of $220.6 million, the total preliminary estimate would represent an increase of $188.7 million, or 3.7 per cent, over the total approved appropriation of $5.15 billion for 2012-2013. The Advisory Committee agreed with the proposed adjustments to reflect the delayed impact of regular budget posts in 2014-2015 and one-time costs in 2012-2013.

10. The proposed provisions for resource changes in the biennium 2014-2015, amounting to a net decrease of $58.5 million, were attributable to efforts to increase the cost-effectiveness and efficiency of service delivery. While the Advisory Committee welcomed the Secretary-General's efforts to seek further efficiencies, it underlined the importance of ensuring that those efficiencies were sustainable and that the effective implementation of mandates remained the paramount consideration. In that connection, the Advisory Committee reiterated its concerns about the need to go beyond incremental budgeting and to consider the entire quantum of resources necessary to carry out mandated programmes and activities.

11. The annex to the report detailed the possible impact on the budget outline of items currently before the General Assembly and foreseeable items yet to be considered. If the budget outline were to include the estimates in respect of all those items, the preliminary estimate would likely increase by approximately $154.4 million.

12. The Advisory Committee recommended approval of the Secretary-General's proposal that the level of the contingency fund be maintained at 0.75 per cent.

13. Lastly, with respect to the presentation of the budget outline document, the Advisory Committee noted that the financial implications of some items in the Secretary-General's report (A/67/529) were listed as "to be determined" while others were specified. For the purposes of consistency of presentation, the potential impact on the proposed outline of all items yet to be considered by the Assembly should be reflected in the report in the same manner.

14. **Mr. Mihoubi** (Algeria), speaking on behalf of the Group of 77 and China, said that the proposed budget outline should have presented the fullest possible picture of the estimated resources for the biennium 2014-2015. Before the inclusion of special political missions, the preliminary estimates amounted to $4,227.8 million, an increase of $158.2 million over the approved appropriations for the biennium 2012-2013 related primarily to the inclusion of deferred post-related recosting. The Group was concerned at the projected decrease in programme resources of 1.5 per cent and the 2.8 per cent increase in resources for special political missions. It was important for the Secretariat to have adequate resources to implement the development agenda mandated by the General Assembly. He wondered how much of the resource change in those areas was attributable to delayed impact adjustments.

15. He endorsed the Secretary-General's proposal to maintain the contingency fund at 0.75 per cent of the preliminary estimates for the biennium 2014-2015.

16. He expressed concern that the Secretary-General's report (A/67/529 and Corr.1) contravened the provisions of General Assembly resolutions 41/213 and 42/211, which stipulated how the budget was to be prepared and the terms under which it was negotiated by the Fifth Committee. Under the Charter, the Assembly was the only body authorized to consider and approve the budget of the United Nations and staff should be appointed by the Secretary-General under regulations established by the Assembly. In its consideration of the current agenda item, the Group would be guided by articles 17, 97, 100 and 101 of the Charter, rule 153 of the rules of procedure of the General Assembly and regulation 5.9 of the Regulations and Rules Governing Programme

Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and Methods of Evaluation.

17. The role of the Fifth Committee in budgetary and administrative matters must be respected and other Main Committees should refrain from using the phrase "within existing resources" in their resolutions, which was contradictory to rule 153 of the rules of procedure and numerous General Assembly resolutions reaffirming the role of the Fifth Committee. A written reminder to that effect should be conveyed to the Main Committees.

18. The imbalance between assessed and voluntary contributions, which was particularly evident in section 24, Human rights, of the programme budget was a matter of great concern. The proposed resources for human rights for the biennium 2012-2013 had amounted to $147 million, whereas extrabudgetary resources had amounted to $255 million. In staffing, 344 posts were currently funded from the regular budget, whereas 765 posts were funded from extrabudgetary resources. Too great a reliance on extrabudgetary resources for the core activities of the Organization affected the implementation of mandates approved by legislative bodies. The authority and flexibility given to the Secretary-General for the deployment of human and financial resources should not be used to undermine the priorities set by the Member States. Moreover, voluntary contributions should be subject to the same level of oversight as regular budget resources in order to enable the Assembly to monitor and evaluate the outputs and impact of and improvements in programme delivery.

19. **Ms. Power** (Observer for the European Union), speaking also on behalf of the acceding country Croatia, said that United Nations budgets should be subject to the same strict budgetary discipline that Member States applied to their national budgets. In that regard, the budget outline for the 2014-2015 biennium was of the utmost importance. The Secretary-General had an obligation to make a true strategic assessment of resource needs and not simply to list additions to the current budget, an approach that led to automatic budget growth that was neither affordable nor sustainable. Yet the current budget outline proposal appeared to be just that: the preliminary estimate of $5.341 billion represented an increase of $188.7 million, or 3.7 per cent, over the approved appropriation for 2012-2013. The latest figures provided to the Advisory Committee indicated a further increase of $154.4 million, taking into account initiatives currently before the Assembly and foreseeable items. Budget growth of that magnitude must be addressed.

20. First, the current practice of recosting should be ended, in the interest of greater discipline, transparency and flexibility. Inflation costs should be better controlled through reform of the post adjustment system and costs resulting from exchange rate fluctuations should be better managed. In parallel, it was essential to instil a working culture at the United Nations that was focused on a constant effort to find new ways of working and to achieve more effective delivery of mandates and sustainable use of resources. Conducting business as usual would not address the scope of the financial challenges the Organization faced.

21. Noting that new efficiency measures would result in a reduction of $58.5 million in the projected budget for 2014-2015, she said that the States members of the European Union wished to be informed of the outcome of further reviews of operational requirements when the Secretary-General presented his proposed budget for the next biennium. She urged the Secretary-General to seek further efficiencies and prioritize activities; senior management leadership would be vital to the commitment to achieving better ways of working.

22. Such efforts should also be sustainable and not ad hoc or reactive. It was necessary to go beyond incremental budgeting and consider the overall resources required to carry out mandated programmes and activities. The budget process should be overhauled and priorities should be set rigorously in order to free up resources from low-priority activities.

23. **Mr. Yamazaki** (Japan), recalling that the regular budget for the current biennium was 5 per cent lower than that for the previous biennium, said that Member States could not afford to return to the trend that had caused the budget to more than double over the decade preceding the current biennium. If the regular budget for either the current or the next biennium exceeded the historical high of $5.416 billion, the commitment of the Secretary-General and Member States to strengthen budgetary discipline and do more with less would be in jeopardy.

24. Against that backdrop, the proposed budget outline for 2014-2015 amounted to $5.341 billion. The

budget for the next biennium should be formulated not by merely extending the current budget but by re-examining needs. While he welcomed the savings of $63.1 million made through cost-effectiveness and efficiency measures, that modest improvement did not truly represent a departure from incremental budgeting. It was necessary to consider the entire quantum of resources needed for mandate delivery rather than to formulate the budget incrementally. That was all the more important, considering that the indicative budget outline level might ultimately exceed the current budget level by half a billion dollars once the costs for the follow-up to the United Nations Conference on Sustainable Development (Rio+20), the strengthening of treaty bodies, and inflation and exchange rate adjustments were added.

25. **Mr. Yoo** Dae Jong (Republic of Korea) said that, thanks to measures to improve efficiency and effectiveness in the implementation of mandated activities, the Secretary-General's budget outline reflected a $59 million reduction in resources, in addition to a reduction of $83 million in resources for special political missions. Efficiencies introduced as a result of review exercises should be sustainable rather than ad hoc or reactive and the Secretariat should step up its efforts to promote efficiency gains and savings.

26. Recosting was the main factor in the projected budget increase, representing $221 million of the increase in the budget outline for 2014-2015. The practice of recosting should be adjusted in order to prevent the budget outline from increasing further despite the adverse economic situation. His Government, like many others, absorbed inflation and exchange rate fluctuations within the approved budget. As a global organization, the United Nations should be allowed to factor in currency rate movements through revised budgets in order to safeguard programme continuity; however, inflation costs should be absorbed.

27. The budget outline served as a guideline for the preparation of the programme budget; it should therefore reflect the Member States' efforts to strengthen financial discipline and the Secretariat's efforts to enhance effectiveness and efficiency. In the medium and long term, the outline should become a binding document rather than a mere guideline in order to avoid an incremental approach to budgeting. The outline should be the budget ceiling and add-ons should be absorbed within that total. At the same time, the Secretary-General should have the flexibility to draft the programme budget through a top-down budgeting procedure; that discretion should of course be coupled with accountability.

28. **Mr. Torsella** (United States of America) said that it was regrettable that the proposed budget outline was being introduced late in the session, when there was little time left for the meaningful discussion it merited. His delegation was concerned that the preliminary estimate of $5.341 billion for the biennium 2014-2015 reflected an increase of almost $190 million, or 4 per cent, over the approved appropriations for the current biennium, even before including the $154 million in additional resources noted in the Advisory Committee's report (A/67/625). He recalled that the programme budget for the biennium 2012-2013 had reflected savings of 3.7 per cent and that the Secretary-General had pledged to make further proposals for significant structural savings. His delegation welcomed the initial efforts to increase cost effectiveness in programme support, conference management, public information and capital projects, which had resulted in savings of $63 million in the proposed budget outline, and the Secretary-General's commitment to review programme outputs in order to identify those that were obsolete or ineffective. Nevertheless, it was troubling that the preliminary budget estimate for 2014-2015 represented further growth in the United Nations budget at a time of continued financial pressure on Member States.

29. The projected savings of less than 1.2 per cent were welcome, but modest, when new expenses were expected to result in net growth of $190 million, to which might be added the $154 million mentioned earlier. The Secretary-General's cost reduction efforts were commendable, but insufficient. Member States must acknowledge their responsibility for adding and expanding mandates outside the budget process, stop supporting efficiency in the abstract but opposing it when it affected their priority programmes and make a commitment to pay as they went by specifying reductions in expenditure or eliminating obsolete mandates in order to fund each new spending requirement they imposed on the Organization. The Secretary-General must plan for the significant sustainable reductions he had promised; if senior managers felt constrained in making more fundamental savings, they should request from the Assembly the specific tools they needed.

30. The budget process was deeply flawed, with decisions about policy priorities separated from decisions about the resources to implement them. Subsidiary bodies such as the International Civil Service Commission had been permitted to alter budgets. Moreover, the Committee was considering a new budget before the halfway point of the previous budget had been reached. The Fifth Committee and the Secretary-General should work together to achieve meaningful reform of the budget process beginning in the biennium 2014-2015.

31. **Ms. Goicochea Estenoz** (Cuba) said that the budget outline was an essential part of the budget process that had been set out in General Assembly resolution 41/213 in order to address a precarious financial situation faced by the Organization owing to the position of one Member State in particular. Almost three decades later, pressure was again being exerted with respect to an increase in the budget, but others were now adding their voices owing to the difficult financial situation facing all Member States. Developing States, which were particularly affected, nevertheless understood the importance of providing the Organization with the resources required to fulfil the purposes and principles of the Charter and implement the mandates they had approved. While the Assembly had reaffirmed its resolution 41/213 on numerous occasions, the proposed programme budget for the biennium 2012-2013 and some provisions of General Assembly resolution 66/246 — particularly paragraph 27 — had undermined a resolution whose adoption had reflected a delicate political balance. The deliberations concerning the budget outline were not the proper context in which to make changes to the established budget process; a thorough discussion would be required for the Assembly to reach a decision on that weighty matter.

32. While the approved resources set out in General Assembly resolutions 66/248 A-C had served as the point of departure for the proposed budget outline in accordance with the approved methodology, that calculation was invalid owing to the decrease in the level of resources proposed for the current biennium and the arbitrary cuts made by Member States when negotiating the current programme budget.

33. The inclusion of deferred post-related recosting for inflation and exchange rates was essential, as the proposal must follow the approved methodology. She wondered how, as was indicated in the Secretary-General's report (A/67/529), the Assembly's consideration of the first performance report might have an impact on recosting.

34. The preliminary estimates for special political missions showed an increase of 2.8 per cent. She reiterated her delegation's position that such missions, owing to their nature and mandates, and the manner in which they were approved, should be financed under the scale of assessments for peacekeeping.

35. Although she welcomed the Secretariat's efforts to increase efficiency and improve the delivery of mandates, she was concerned by paragraphs 11 and 12 of the Secretary-General's report (A/67/529), in which he appeared to seek advance approval from the Assembly for a budget reduction of $61.3 million without providing details about the initiatives that would achieve the reduction. The Secretariat was requested to provide further information, during the informal consultations, on those initiatives, their budgetary impact and the manner in which they safeguarded the intergovernmental nature of the Organization.

36. It would useful to know, even in preliminary terms, the effect that major decisions, such as those adopted at the Rio+20 Conference, were expected to have on the growth of certain programmes. It was noteworthy that, once again, the percentage growth in estimates bore no direct relation to the priorities set by the General Assembly, particularly in respect of overall policymaking, direction and coordination; internal oversight; and safety and security.

37. **Mr. González Segura** (Mexico) said that his delegation agreed with the Advisory Committee's recommendations. The Secretary-General's efforts to increase efficiency and cost-effectiveness, which were only to be expected in times of economic restraint, should continue. Nevertheless, efficiency measures should be sustainable rather than ad hoc or reactive and efficiency in the implementation of mandates should be of primary concern.

38. It was necessary to go beyond incremental budgeting and to estimate accurately the sum of resources required to implement approved programmes and activities. He welcomed the Secretary-General's efforts to provide Member States with as realistic an estimate as possible in the proposed budget outline.

39. The main area of budget growth was special political missions, with an estimated increase of $113.5 million. Given that it was impossible to foresee the biennial requirements for such missions, Member States should take urgent action to resolve the issue of their financing in order to halt the constant incremental growth of the programme budget and achieve greater certainty and transparency in the budget process.

40. **Ms. Casar** (Controller) said that there appeared to be some confusion concerning the figures presented in the proposed budget outline and the basis for comparison, resulting in particular from the deferred recosting. She would provide clarification during the informal consultations in order to ensure that Member States had the necessary information for their decision-making.

Agenda item 130: Programme budget for the biennium 2012-2013 (*continued*)

Programme budget implications of draft resolution A/C.3/67/L.49/Rev.1: Situation of human rights in Myanmar (A/67/621; A/C.5/67/14)

41. **Ms. Casar** (Controller), introducing the statement of programme budget implications of draft resolution A/C.3/67/L.49/Rev.1 on the situation of human rights in Myanmar (A/C.5/67/14), said that the estimated cost of continuing the good offices of the Secretary-General in 2013 under the draft resolution amounted to $1,397,800. That included a staffing component of one Special Adviser at the Under-Secretary-General level, two P-4 and one P-3 Political Affairs Officers, and one General Service administrative assistant. The requirements had been included in the Secretary-General's report on estimates in respect of special political missions (A/67/346/Add.1).

42. **Mr. Kelapile** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/67/621), said that the Advisory Committee recommended that the Fifth Committee should inform the Assembly that, should it adopt draft resolution A/C.3/67/L.49/Rev.1, resources amounting to $1,397,800 would be required for the period from 1 January to 31 December 2013 for the continuation of the Secretary-General's good offices relating to the situation in Myanmar. Those requirements, which would be charged against the appropriation for 2013 for special political missions under section 3, Political affairs, of the programme budget for the biennium 2012-2013, had already been submitted to the Fifth Committee at its current session and the Advisory Committee had provided observations and recommendations in its related report (A/67/604).

The meeting rose at 11.10 a.m.